



SF 75 – Active Duty Pay - Operation New Dawn (LSB 1398XS)
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Fiscal Note Version – New

Description

Senate File 75 expands Iowa's current list of tax exempt active duty pay military engagements to include income earned while participating in Operation New Dawn. The active duty pay exclusion applies to National Guard and Armed Forces Military Reserve personnel. The change is retroactive to tax year 2011.

Background

In September 2010, President Obama renamed the military engagement in Iraq from Operation Iraqi Freedom to Operation New Dawn. Iowa Code Section 422.7(40) already applies an active duty pay income exclusion to Operation Iraqi Freedom.

Assumptions

The Department of Defense Manpower Data Center reports that 68 Iowa National Guard members are currently part of Operation New Dawn. For the purposes of this estimate, that number is assumed to be stable for the next five years. The Department of Revenue applied standard military pay amounts by rank, and used the Department's Individual Income Tax Model to estimate tax impacts.

Fiscal Impact

The impact in FY 2011 will be minimal. The income tax exclusion contained in Senate File 75 will reduce the taxes paid by Iowa National Guard and Armed Forces Military Reserve personnel by \$100,000, beginning in FY 2012. Individual income tax revenue is deposited to the State General Fund.

There will also be a minimal impact on the Local Option Income Surtax for Schools.

Sources

Department of Defense Manpower Data Center
Department of Revenue

/s/ Holly M. Lyons

February 15, 2011

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Iowa Code [Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
